GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

UNSTARRED QUESTION NO:1109
ANSWERED ON:25.02.2003
SUBSIDY TO FERTILIZER INDUSTRY
RAGHUVANSH PRASAD SINGH

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether the recommendations of the Expenditure Reform Commissionto the Fertilizer industry have been examined and the finalized by a group of Ministers;

(b) if so, the details thereof; and

(c) the steps the Government propose to take to protect the Indianfarmers from China, European Union and USA by the likely impact of these reforms?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (DR. CHHATTRA PAL SINGH)

(a) & (b): The recommendations of the Expenditure Reforms Commissionon formulation of a new pricing policy for urea units for replacing the existing Retention Price Scheme were examined by a Group of Ministers (GOM).The new pricing policy for urea units has been formulated and will come into effect from 1.4.2003. The new scheme aims at greater transparency, uniformity and efficiency in subsidy disbursements to urea units and to induce urea manufacturing units to take cost reduction measures and be competitive. The new scheme will be implemented in stages. Stage-I would be of one yearduration, from 1.4.2003 to 31.3.2004. Stage-II would be of two years duration from, 1.4.2004 to 31.3.2006. The modalities of the subsequent stages would be decided after review of the implementation of the Scheme during the Stage-I and Stage-II.

In Stage-I, i.e. from 1.4.2003 to 31.3.2004, the allocation of urea underthe Essential Commodities Act 1955 (ECA) will be restricted up to 75% and 50% of installed capacity (as reassessed) of each unit in Kharif 2003 and Rabi 2003- 04, respectively. During Stage-II, urea distribution will be totally decontrolled after having evaluated the Stage-I.

(c): Farmers will continue to get the urea at the statutorily notified sale price throughout the country both in the case of urea supplied under ECA allocationand the decontrolled urea. The interest of farmers is paramount consideration and is not hurt by this pricing policy.